



Purpose: For Decision

Committee report

Committee	CABINET
Date	TUESDAY, 12 FEBRUARY 2013
Title	MEDIUM-TERM BUDGET STRATEGY 2013/14 – 2015/16 AND COUNCIL TAX SETTING 2013/14
Report of	LEADER OF THE COUNCIL AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. This report follows on from the Budget Review that went to Council on 19 September 2012. This position was updated, following the announcement of the provisional Local Government Finance Settlement in December 2012, in a report to Cabinet on 8 January 2013.
2. This report sets out the position on the Provisional Local Government Finance Settlement for 2013/14, an update on the overall projected budget position and proposes a lawful and balanced General Fund Budget and Council Tax level for 2013/14. The Final Local Government Settlement is still awaited but any changes from the Provisional one are likely to be minor.
3. It is proposed that the IW Council's element of Council Tax is frozen at 2010/11 levels for the third successive year, meaning that the amount payable will have been at the same level for four consecutive years in total.
4. A Capital Programme of investment to the value of £50m is proposed for the period from 2013/14 to 2015/16. An increased revenue investment in Adult Social Care of £8.7m is proposed for over the same period. It is proposed that the Council's resources are allocated to the eight corporate priorities, and that a particular emphasis is placed on two key themes – "Helping Island Households" and "Supporting the Economy".
5. After taking into account the net additional cost of providing existing services of £4.6m, net government grant losses of £3.4m and a council tax freeze, the overall General Fund Revenue Budget for 2013/14 indicates a projected shortfall of £7m between the total likely costs and the likely resources available to meet them if no decisions are made to curtail expenditure or increase income.
6. The report sets out how this £7m can be met from back office savings and efficiencies (including recurring elements of additional savings already secured), reductions in the revenue cost of delivering services that will from 1 April 2013 be delivered by the

Highways PFI contract and management and service restructures within the local authority. This includes a proposal to abolish the position of Chief Executive with effect from 31 March 2013, reducing the top-tier of management from four to three posts.

7. The report also highlights the very significant reduction in resources that the Council will face in 2014/15 and subsequent years and sets out a strategy for early development of options that will need to be considered in a Budget Review later in 2013.

OUTCOMES

8. To recommend to Council the General Fund Revenue Budget, Capital Programme and Council Tax level for 2013/14.
9. To recommend to Council a strategy to develop options for dealing with the significant resource gap for 2014/15 and subsequent years.

BACKGROUND

10. The September Budget Review highlighted that the adoption and delivery of the current Medium-Term Financial Strategy had put the local authority in a strong and healthy financial position.
11. Despite this the Council still faces further significant reductions in its resources continuing into the foreseeable future, along with additional budget pressures. The position for 2013/14 was particularly uncertain at the time of the Budget Review with the introduction of the Business Rates Retention Scheme, Localisation of Council Tax Support, changes to school funding and further reductions in national spending limits.
12. The overall budget strategy agreed at Council on 19 September 2012 was to continue to exercise strict financial controls, to seek further efficiencies and savings in back office costs and to review service areas where savings could be made without directly impacting on frontline service delivery.
13. The report to Cabinet on 8 January 2013 provided an update on the budget position following the announcement of the 2013/14 provisional Local Government Finance Settlement and the latest budget monitoring position. This indicated a likely revenue budget gap of some £6m in 2013/14 and £9.4m in 2014/15. Cabinet agreed that further savings options would be developed to bridge the budget gap on the basis that there would be no council tax increase in 2013/14 and no use of general fund balances to fund recurring expenditure. The likely revenue budget gaps have now been revised and are reflected later in the report.

STRATEGIC CONTEXT

14. The Council's Corporate Plan – along with the Medium-Term Financial Strategy to deliver it – was agreed by Council at its meeting on 15 June 2011.
15. The key priorities in the Corporate Plan provide a framework for the setting of the Council's budget and where resources should be prioritised: i.e. to deliver the outcomes required that will make a difference to the way services are delivered and improved for residents and visitors. The activities set out within individual service plans aim to deliver the required outcomes and are supported by service budgets.

16. The Medium-Term Budget Strategy adopted at Council on 29 February 2012 directed resources to the eight key priorities:
- i. Raising educational standards;
 - ii. Highways PFI;
 - iii. Keeping children safe;
 - iv. Supporting older and vulnerable residents;
 - v. Housing and homelessness;
 - vi. Regeneration and the economy;
 - vii. Waste strategy;
 - viii. Delivery of budget savings through changed service provision.
17. A particular emphasis was placed on “regeneration and the economy” with a series of additional measures to support the intended outcomes in relation to this corporate priority. A progress report of these initiatives was received by Council on 19 September 2012 as part of the Budget Review.
18. The Joint Strategic Needs Assessment (JSNA) provides a comprehensive picture of the Island’s health and wellbeing, and has enabled the Health and Wellbeing Board to begin to develop an over-arching Health and Wellbeing Strategy for the Island. This strategy responds to the needs and priorities identified in the JSNA, and what services and activities are required to address them.
19. The Medium-Term Financial Strategy and proposed Budget Strategy therefore align with the Council’s agreed priorities and focus on directing resources to meet them. For the purposes of this report, a number of strands of Council work and related initiatives are brought together in two key themes which are considered to be of particular importance in the year ahead, in light of the continuing economic situation:
- Helping Island Households;
 - Supporting the Economy.
20. These two themes do not incorporate all of the local authority’s work within its eight key priorities (which are covered more comprehensively further below), but seek to bring together a number of complementary initiatives which are considered to have a particular relevance within these themes.
21. **Helping Island Households**
The initiatives set out below do not amount to a complete list of how the IW Council is seeking to assist Island households, but focus principally on new and revised areas of plans that are focused on tackling the rising cost of living.
22. **Council tax freeze:** The proposals in this report set out an intention to keep council tax at same level for a third successive year in a row. The proposed nil rise, if agreed, would mean that Island households will not have faced an uplift in the main element of their council tax bill since 2010/11, resulting in this being at the same level for four consecutive years in total.
23. It is considered that the council tax freeze will contribute to keeping bills down for Island households, which undoubtedly will be welcomed in the current difficult economic climate. The freeze proposed will be offset by the recent decision of the new Hampshire

and Isle of Wight Police Commissioner to raise his precept by 3.4% and may also be further offset in some parts of the Island by rises in parish precepts. Nevertheless, with the IW Council element forming approximately 88% of the council tax demand made to Island households, it is considered that the impact of a IW Council freeze will still be of a worthwhile amount, which is to be welcomed.

24. Flexibility to make council tax payments over 12 months: The Council has promoted, at an early stage, the opportunity for households to extend their payment schedule for council tax bills from a fixed 10 month period to a full 12 months. This choice will allow families to spread their bills evenly throughout the whole year and in doing so reduce their monthly payments.
25. Council tax support: At Council on 16 January 2012, members voted to implement a scheme for council tax support which restricts the maximum liability to those currently in receipt of council tax benefit to 8.5% for 2013/14. It is considered that such an approach, which also protects eligible pensioners and working age vulnerable from any liability, ensures that lower income households of working age will only be required to contribute a modest amount towards their council tax bills. At the same time, it introduces a principle that all Island households of working age, who can work, make a contribution to support the services they receive from the local authority. The alternative to the approach agreed by Council (the default scheme) would have required an additional £1.8m to be found in revenue savings for 2013/14, or for council tax to be increased by 2.5% to meet this amount. As set out in paragraph 22 above, this was not considered to be appropriate in the current economic climate.
26. Reducing fuel costs: The Council is only one of three local authorities to have secured a complete package of Government funding to help residents in reducing their fuel bills – which along with council tax payments, amount to major monthly outgoings for Island households. Almost £450,000 has been secured, which will be delivered on the Council's behalf by three local organisations to provide improvements to households in fuel poverty, promote the Green Deal and deliver a collective energy switching scheme. The latter initiative, which will imminently be launched by the Council in partnership with Community Action IW, will provide opportunities for Island households to register their interest in having their electricity and gas tariffs renegotiated on a collective basis, with a view to securing the best deal to reduce their overall expenditure on such utility costs.
27. Freezing parking charges: Despite the continued pressures on the Council's budget, it is proposed that parking charges are kept at the same level for a fifth year running. This amounts to a real terms reduction in fees charged in car parks and on street, and in doing so will ensure that casual charges incurred by Island households are kept to a minimum. Through the introduction of Pay By Phone Parking, it is now a lot easier for residents to park in these locations without needing to look for change.
28. Local assistance scheme: The Council has allocated £344,000 to support a scheme from 1 April 2013 to support Island residents in genuine hardship which cannot be met through other means. The service will be one of last resort and is not intended to become part of a regular package of assistance provided to Island residents. The Council will be seeking to develop and implement the scheme in partnership with organisations such as the Isle of Wight Foodbank who are involved in providing related support to Island families.
29. Making housing accessible and affordable: Ahead of Budget Council on 27 February 2013, the local authority will publish a set of detailed plans to ensure that affordable

housing is prioritised to those deserving residents in greatest need, building on the local lettings plans which already prioritise properties to those with a defined local connection. There will also be expanded opportunities for Island families to secure home ownership, where this is affordable to them on an on-going basis.

30. Access to public transport: On 16 January 2012, the Council unanimously agreed to support efforts to work with the ferry companies to see how operating costs could be reduced, with a view to seeing any such financial benefits being passed onto Island ferry users (particularly in terms of early morning and late night crossings). Whilst there is much work still to do in terms of progressing this agenda, the Council is confident that by working constructively with the ferry companies, the opportunity for securing improvements is much more likely to be achieved. Such benefits would also contribute to the key theme of Supporting the Economy. Also on the subject of public transport, the Council has supported the development of an extensive Community Bus Scheme, which it is proposing to put an additional £60,000 of local funding into during 2013/14 as transitional funding.
31. **Supporting the Economy**
The list of economy related initiatives set out below align with the key priority of Regeneration and the Economy.
32. The Isle of Wight continues to face significant challenges posed by the evolving national and global economic situation. The Council has a key role to play in supporting the economic development and regeneration of the Island. This role will be fulfilled through policies and initiatives aimed at driving and facilitating inward investment, promoting local businesses and creating job opportunities for our residents. The Council is committed to working closely with the private sector on the Island to identify and exploit business led opportunities to stimulate and grow the Island's economy, increasing employment and business start-up and survival rates. The Council will continue to work closely with business representative organisations such as the Chamber of Commerce, Tourism and Industry (CCTI) and the Federation of Small Businesses (FSB) to identify opportunities for better aligning our activities in order to improve the overall economic wellbeing of the Island.
33. It is proposed that the Council's approach to economic development continues to focus on:
- Increasing inward investment;
 - Development of a skilled workforce in key sectors;
 - Promotion and expansion of renewable energy activities;
 - Installation of a Superfast Broadband network;
 - Developing and promoting a 21st century tourism offer;
 - Playing a key role in supporting the Solent Local Enterprise Partnership (LEP) to ensure that the Island maximises the economic benefits from the LEP's activities.
34. The action taken to deliver savings and reduce expenditure has placed the Council in a position whereby it can invest in one-off revenue and capital projects, specifically aimed at economic development and regeneration. This report therefore proposes continued investment in the Island's economy, directly linked to the approach outlined above. The projects underway are wide-ranging and include those set out below.

35. Pre-Apprenticeship and Apprenticeship Programmes: The pre-apprenticeship programme is aimed at the Island's NEETs (Not in Employment, Education or Training). By the end of 2012, 94 young people had taken up opportunities with Island businesses and 18 of these had already converted into full time apprenticeships. The success of the Council's programme was recognised by the Federation of Small Businesses (FSB) who announced it as winner of the 2012 best small businesses friendly programme in the Wessex Region. In addition the Solent LEP is now using the Council's model to deliver placements across the Solent area.

The apprenticeship support scheme began in June 2012 and offers a subsidy to the employer for taking on a new apprentice with additional support for companies in the green sector. The programme is being delivered by Hampshire Training Partnership (HTP), IW College, Smart and Care Learning Centre (CLC) in conjunction with Job Centre Plus (JCP) and uses the same administrative process as the pre apprenticeship scheme.

As part of a package of employment initiatives, the Council has commissioned the Chamber of Commerce to deliver a programme aimed at tackling youth unemployment and supporting small Island companies. The Chamber is working in collaboration with Job Centre Plus who refer suitable candidates to the programme. Islework is aimed at helping forty young people start up their own businesses.

Based on the success of the pre-apprenticeship, apprenticeship and Islework schemes, the Council has committed £300k to fund their continuation during the 2013/14 financial year. It is proposed that the second year of the programme will look to expand such opportunities into different employment sectors and also provide specific opportunities for those residents with learning and physical disabilities, in partnership with "No Barriers", to secure training and employment.

36. Careers & Jobs Fair: In conjunction with the Isle of Wight College, the Council staged a Careers and Jobs Fair targeted at young people aged 14-24. The event was sponsored by Gurit with additional support from the County Press, Southern Vectis and Isle of Wight Radio. The event aimed to inform and provide guidance for young people to assist them in choosing a career path and to identify the training and qualifications to succeed in their choice. Over 500 young people attended the one day event. This included those about to leave school as well as the young unemployed. Over 40 organisations were on hand to offer both career guidance and apprenticeship and job opportunities across a broad range of sectors.
37. The event was considered to be a great success with very positive feedback from young people and local businesses that were in attendance. Planning is now underway for a repeat event in the autumn of 2013.
38. Solent Ocean Energy Centre (SOEC): SOEC is a managed test / demonstration facility for tidal energy device developers, located off St. Catherine's Point. It will add to the UK's marine energy infrastructure and put the Island at the forefront of this emerging green energy sector which will have global significance. The Council has allocated £1 million of capital to supporting the project and secured the necessary agreement for lease from The Crown Estate in November 2012.

Cabinet agreed on 8 January 2013 the heads of terms for the creation of a joint venture company to deliver the Solent Ocean Energy Centre. As above, capital investment of

£1 million has been set aside (alongside £2 million of funding from the private sector) to secure the licences and permissions necessary to develop the first phase of the Solent Ocean Energy Centre project, leading to the development of tidal energy testing off the coast of the Island. It is anticipated that the project will result not only in significant inward investment to the Island, but will also lead to the longer-term creation of approximately 600 jobs in the Solent area, with a significant number of these being based on the Island.

Relationships with tidal device developers interested in using the site continue to be built and the interest shown from the industry following national media coverage on the Agreement for Lease is an indication of the strong demand for SOEC. The Council will continue to support the project as a member of the joint venture company.

39. Solent Offshore Renewable Energy Consortium (SOREC): The Council has taken the lead for a partnership which has been successful in securing £1.1m ERDF funding to support the set-up of SOREC. This will be an employer's organisation for the offshore renewable energy sector within the SE of England. SOREC will be delivered by a partnership of IW Council, Kent County Council, Southampton Solent University and at least four partners from the private sector. Negotiations are on-going with Vestas, Gurit, Eneco and PD Ports to be the private sector partners in the project.
40. SOREC will have a comprehensive business support program including one to one support for companies, supply chain development activities, Innovation and tech transfer activities and a grant fund of £500,000 for offshore renewable energy based SMEs.
41. Superfast Broadband: Although there is current investment in superfast broadband in some parts of the Island, it is recognised that without public sector intervention, large parts of the Island (particularly the rural areas) would not be able to access such a high speed service. Without a commercial case for investment, the private sector would not fund the infrastructure required. The Council has set aside £3m of capital investment (which has been matched by £3m of funding from the Government) to ensure that the need in rural areas is met and as many businesses and homes as possible have access to the best possible internet access. This will help to support and sustain business start-ups, enable different ways of working and promote and develop the high value knowledge economy of the Island where location is less important than connectivity. In particular, this is considered to be a major step in allowing the Island to be promoted as a major growth area for the digital economy. At the time of the publication of this report, it is expected that the next significant steps in the rollout of this superfast broadband programme will be announced in the near future.
42. Following the recent resolution of state aid issues between the UK Government and the European Commission, the Council is now finalising a delivery timetable with the Department for Culture, Media and Sport (DCMS) to procure the delivery of the superfast broadband project. There is a significant amount of work required to procure and award the contract and the Council will ensure that that the procurement and rollout are properly resourced.
43. Employment Land: Some of the key employment sites on the Island are owned by the Homes and Communities Agency (HCA), having been transferred from the South East England Development Agency (SEEDA). The Council's commitment of £1m of capital funding (over two years) would assist meeting infrastructure requirements for these sites, thereby allowing them to be brought forward for development at an early stage. This

should encourage the HCA to prioritise its investment in the Island sites and in those which have the most potential to assist in developing new and growing existing businesses. This land is included with 42 hectares of employment land across the Island which the Council has agreed within the Island Plan Core Strategy for future allocation for such purposes.

44. Strategic Asset Management: How the Council makes best use of its assets must include consideration of their importance and potential impact on the Island's economy. The Council will continue to identify and work with potential investors and expanding business to ensure, where appropriate, that assets can be used to create and secure jobs for the Island. For example, the Council is currently looking at the future of Ryde Seafront - and in particular the Harbour - with a view to securing private sector investment to improve the quality of the offer in this prominent location. The terms on which buildings like Ventnor Winter Gardens have been disposed are also designed to impact positively on the Island's economy.
45. Solent Local Enterprise Partnership (LEP): The Council will continue to support and play an active role in the Solent Local Enterprise Partnership (LEP). The Government has made it clear that funding for economic development and infrastructure improvements, and decisions as to how these funds will be spent, will be principally delegated to Local Enterprise Partnerships. LEPs that deliver economic growth will be looked upon favourably in terms of drawing down additional government funding. LEPs are also taking a more active role in deciding on infrastructure investments (highways and transport) in their areas and it therefore remains important for the Council to play its role in ensuring the best possible outcomes for the Island. The IW Council has joined Transport for South Hampshire to complement this involvement through the Solent LEP.
46. Destination Management Organisation – Visit Isle of Wight: The Council resolved to establish a Destination Management Organisation (DMO) in April 2012 and has committed funding for a nine year period subject to the new company raising additional private sector investment in order to drive forward the visitor economy of the Island. Visit Isle of Wight Limited (VIOW) was formally established as a not for profit company in October 2012.
47. Recent activity has seen VIOW hold workshops for tourism businesses across the Island, agree a merger of the Island breaks and Go Wight web sites, arrange press trips to the Island and launch their new packages for advertisers and providers. The company is launching the Isle of Wight marketing strategy for 2013 and is updating and redesigning the existing web site portal. The Council will continue to financially and logistically support the work of Visit Isle of Wight and contribute additional one-off funding, where appropriate, in support of specific initiatives. The DMO's commitment to secure additional private sector investment is already being fulfilled, with VIOW having recently announced that £1.1m will be spent in marketing the Island as a destination in 2013. This is a level of expenditure (including the Council's funding) which significantly increases the marketing investment in promoting the Island.
48. Sustainable Transport Fund investment:
The Council was successful in bidding for funding of £3.95m from the Department for Transport's Local Sustainable Transport Fund. The investment, along with £1.25m match funding from the Council's own resources, is being spent on a number of transport related schemes to upgrade, improve and promote the Island's sustainable transport network. These schemes have been designed to increase visitor numbers and establish

the Island as a leading green tourism destination, complementing the existing offer of outstanding countryside and coast; extensive rights of way and cycling network and internationally acclaimed walking and cycling festivals. Although the project specifically focuses on increasing tourism, improvements will also benefit local residents by improving access to employment, education, health and leisure and offering opportunities to increase physical activity.

This substantial investment is considered to complement the enhanced promotion of the Island as a destination by Visit Isle of Wight (VIOW), as referred to above. VIOW is being consulted on how this investment is prioritised, in order that their promotional messages for the Island highlight the increasing “green tourism” opportunities available to potential visitors. It is also worth noting that increasing visitor numbers in this manner can be achieved without having a detrimental effect on peak vehicle ferry capacity, ferry terminal accessibility and network congestion.

49. **Raising education standards**

The improvement of education performance continues to be an essential contributing element to the Island’s future economic sustainability. With a new primary / secondary model of education now in place, there has been a significant uplift in primary standards, but this improvement has not yet carried through into a similar overall direction in the secondary sector. Whilst some of the secondary sector has enjoyed modest improvements, some schools failed to drive up standards during the period of change. Now that the schools are fully settled within the new structure, this summer will see results from GCSE students who will for the first time, on an Island wide basis, have received this crucial part of their education within the same continuous learning environment. The Council is working with these providers to ensure that necessary steps are being taken to secure the best possible results.

50. As part of the management restructure touched on elsewhere in this report, it is proposed to create a specific Head of Schools & Learning post within the Council, with responsibilities that reflect the redefined commissioning relationship that now exists between providers of secondary education and the local authority. This relationship is changing further from 1 April 2013 with new school funding regulations resulting in schools having almost all funding by default, with a very limited amount of core functions remaining with the Council.
51. The new Ofsted inspection regime has set higher standards and the Council’s limited school improvement resources will be targeted on working with schools in an Ofsted category and supporting those who are deemed satisfactory / requiring improvement to become at least a good (who may also be at risk of going into an Ofsted category).
52. The Children & Young People Scrutiny Panel will continue to invite schools to discuss their performance and one aspect of particular concern is attendance. An additional scrutiny sponsored process has been identified to explore this in more detail. Another aspect of focussed work with schools is safeguarding and ensuring all schools are fully aware of their responsibilities and expected contribution.
53. All the significant capital works directly associated with the school reorganisation process have been completed with two new builds using the recently adopted national standard design models underway. Unfortunately the same cannot be said for the new build of Cowes Enterprise College, for which the completion has been significantly delayed. The Council is working hard to ensure that the project is completed as soon as possible and

the new building is ready for educational occupation later this year. In the meantime the pupils continue to be educated in the old school building. All future major refurbishments, re-builds and new builds will be through the national Priority Schools' Building Programme. The Island is fortunate in having four projects in the first tranche (2013-2017) which means that of the six secondary sites, four will have benefited from new builds (Sandown Bay Academy and Medina College being the exceptions).

Highways PFI

54. The Highways PFI contract commences on 1 April 2013. This will provide a capital investment in bringing the Island roads up to a high standard and then maintaining them over the 25 year life of the contract. The contractor has also confirmed a number of additional improvements in terms of investment and maintenance – such as stabilisation works, drainage schemes and enhanced gritting arrangements – that will be taking place alongside the agreed core investment.
55. The Council used to receive capital funding of some £3m each year in respect of highways capital works. This will be replaced by the capital funding received in respect of the PFI amounting to a total of £480m or some £19m per year, i.e. more than 6 times the current level of grant. In addition the Council is currently responsible for revenue related services such as staffing costs, winter maintenance, CCTV control room, highway and public lighting maintenance, etc. which currently cost some £8.3m per annum. These will be provided through the PFI at a cost of £7.3m, thus securing an annual revenue saving of £1m which contributes to bridging the Council's overall revenue gap in 2013/14.
56. The PFI represents not only a significant amount of grant funded investment which will dramatically improve the Island's highways network; it will also act as a catalyst for wholesale improvements to the public realm, economy and regeneration. This will lead to a range of employment opportunities for Island residents, support tourism through improvements in infrastructure and the public realm and provide opportunities for Island businesses to benefit directly and indirectly from the unprecedented level of investment.

Keeping children safe

57. The Council is committed to ensuring that children and young people are safe and enjoy healthy lives. To achieve this it invests in support services such as children's centres and short breaks for parents and carers of disabled children as well as specialist social work services to respond to safeguarding issues or support children who need to be looked after by the Council or young people who are at risk through the criminal justice system.
58. The Ofsted report on the inspection of safeguarding arrangements on the Island identified a need for rapid and sustainable improvement in a number of areas and for a programme of work to be undertaken to provide assurances that a range of children referred to children's social care are being responded to appropriately.
59. Alongside this the Council is being advised to review the revised structure for children's social work teams that it implemented in summer 2011 and to work with partners to review the functioning of the Local Children's Safeguarding Board. In order to oversee these programmes of work the Council will be required to establish an "Improvement Board" to be chaired by a suitably experienced individual who will in turn report on progress to the Department for Education. All of these activities will require funding, which whilst being non-recurrent are likely to represent a significant cost. Financial assistance has already been secured from the NHS (£100k) and there may be further financial support from the Children's Improvement Board, the sector led improvement

agency for children's services. In addition to this, it is recommended that a reserve of £100k is allocated to support this programme from the net saving made in the Council's overall budget in 2012/13.

60. In addition, and as a contributory factor to the Ofsted findings, the Island – like probably many other parts of England – has seen an increase in referrals to children's social care services. In late summer 2012 there was a re-balancing of capacity within children's social care to provide additional capacity for first response and short term work but the continuing pressure of referrals suggests that additional capacity is required. The Community Wellbeing and Social Care Directorate has therefore identified additional savings of £275k that can be made available for enhanced staffing and this budget strategy provides for an additional £100k beyond that to meet increased placement costs, particularly in relation to children with disabilities.

Supporting older and vulnerable residents

61. The Council has increased its funding of services to older and vulnerable residents. Where savings have been made this has largely been in management costs and increasing efficiency rather than in reducing direct services to users / clients. Indeed, this has ensured that the resources available are even more focused on frontline service provision for these residents.

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000
Gross budget for adult care provision	49,718	52,818	55,618	58,418

62. This means that with annual uplifts to the budget allocation in this area, over the next three financial years care provision will see a gross increase of £8.7m (17.5%) on the 2012/13 gross budget. This compares favourably to the overall position on the Council's budget of a reduction of at least £24.7m, a fall of some 30% on the effective savings base.

Housing and Homelessness

63. The Council's future work programme in this area will be published in advance of Council on 27 February 2012, as set out in the *Helping Island Households* section further above. The wider narrative in relation to this corporate priority is set out below.
64. The Island's limited availability of private housing and shortage of affordable social housing have resulted in an increasing need for the homelessness prevention service and for temporary accommodation. There are already in excess of 7,000 applicants on the Island's Housing Register and the on-going changes to the Welfare system, the changes to Council Tax Benefit and a degree of uncertainty in the economy are all likely to have a knock on effect to the Island's housing market, increasing the need for these preventative services.
65. The projected growth in households on the Island (principally from existing families) is forecast to lead to a shortfall in housing units, which will exert upward pressure on prices and increase unaffordability for younger families and people on lower incomes. There will be a specific requirement for more housing suitable for older people, including extra care

housing. During the new financial year the Council will update its housing needs data to help it respond as effectively as possible to these needs.

66. Secure and appropriate housing is one of the most important factors determining quality of life. For this reason the Council will continue to work with providers of housing to meet the needs of those who are unable to buy their own homes at this stage of their lives and the needs of those who either through old age or disability need a property that is either designed or adapted to meet their needs. This focus will include:
- (a) Delivering the Pan Meadows project which will provide 848 new homes over the next 12-15 years of which at least 254 will be “affordable”, in terms of the definition of social housing. The affordable homes remain on target to have been delivered by April 2014.
 - (b) Working with partners to bring on stream other developments of affordable housing to meet the community’s needs.
 - (c) Responding to the growing numbers of frail and very elderly people who either wish to remain in their own home or are looking to a housing solution that provides a property that meets their physical needs and a care and support system that is responsive, flexible and affordable. The Council has worked with its partners at Spectrum Housing to submit a bid for HCA grant funding which, if successful, will be used to deliver 69 units of extra accommodation on the Island.
 - (d) Responding to the needs of people who are either homeless or insecurely housed. We work in partnership with the private sector to help Island residents find their own housing solutions, using the private sector where ever possible but where necessary ensure that homeless people are able to access temporary accommodation.
 - (e) Through the housing renewal team working closely with colleagues in Social Care, Supporting People and Health to ensure that vulnerable people’s homes are adapted to enable them to live independently at home for as long as is possible and so reducing the call on the residential homes sector.

Waste Strategy

67. The Council’s current waste contract terminates in October 2015. The combination of this and the need for investment in waste treatment facilities provides the Council with the opportunity to consider a long term solution to the collection and treatment of waste. The procurement process for the next waste contract is underway. The one-off cost of undertaking the procurement process can largely be met from existing staffing resources and it was highlighted in the budget strategy report to Cabinet on 13 December 2011 that it would be prudent to set aside £1.25m for 2012/13 and 2013/14 to meet external costs. In the Budget report to Council on 29 February 2012, £1m was set aside from net savings in the overall Council Budget in 2011/12 and a further £250k has been set aside from net savings in 2012/13. It is projected that this will be sufficient to meet the procurement stage up to contract let in 2015.

Delivery of budget savings through changed service provision.

68. The 7 December 2010 report to Cabinet on the future shape and direction of the organisation and the Corporate Plan (agreed in June 2011) identified those priorities where resources should be directed and the key principles that the Council should follow

in commissioning and providing services. The December 2010 principles also highlighted those areas where changes to service delivery and savings needed to be made.

69. The Council has been successful in delivering real change that has sought to minimise the impact on direct services yet still delivered significant reduction in on-going spend. This has resulted in some 76% of the savings in the 2011/12 budget, over 90% of the savings in the 2012/13 budget and 100% of those proposed in the 2013/14 budget being made from back office costs, reduction in use of office buildings efficiencies, additional income or delivering services in a different way without reducing the outcomes provided. This has included significant restructuring within the Council and reduction in senior and middle management posts. Since January 2011 the chief officer and senior management posts have reduced by over a third (38 posts - an on-going saving of over £2.3m). It is now proposed to secure further savings in these areas, as set out further below in this report.
70. All of this is on top of a significant number of posts having their grades reduced and / or assuming additional responsibilities at the same grade. In total, excluding schools, the workforce has been reduced over the same period by 530 employments (390 Full-Time Equivalents) including 230 compulsory redundancies and 108 voluntary redundancies.
71. Since the 2010/11 budget some £14m has been reduced from the staffing budgets on an on-going basis. The Council is also well on course to reduce the number of office buildings it operates out of from 42 to ultimately 7 or 8.
72. Savings have also been made by enabling services to be delivered differently, often leading to an enhanced or more flexible level of service provision. Examples of different delivery include community bus services, Ventnor Botanic Gardens, Waterside Pool, Shanklin Theatre, fire control, public toilets, community libraries, visitor information and joint working with other organisations.
73. The Medium-Term Financial Strategy setting out the overall position on the Council's resource and spend position is set out in Appendix 1 to this report.

UPDATED BUDGET POSITION

74. Since the report to Cabinet on 8 January 2013 further announcements of allocations and clarification on the provisional local government finance settlement for 2013/14 have been made. The latest budget position for 2013/14 and 2014/15 is set out below:
75. The latest position on Government grants is set out below:

<u>START UP FUNDING</u>	2012/13 Base £m	2013/14 Provisional Settlement £m	2014/15 Provisional Settlement £m
<u>Old Formulae Funding RSG</u>			
Base Revenue Support Grant	61.261	57.268	
Damping loss	(2.852)	(1.495)	
	58.409	55.773	
Academies reduction (LACSEG)	(0.1)	(2.386)	
	58.309	53,387	47,040

Grants transferred into new system			
Council Tax Freeze Grant 11/12	1.788	1.788	1,788
Early intervention grant	5.611	3.899	3.651
Homelessness	0.122	0.122	0.122
Flood authority	0.120	0.120	0.120
Learning Disabilities / Health Reform	<u>1.542</u>	<u>1.579</u>	<u>1.618</u>
	9.183	7.508	7.299
Start-up Funding excluding Council Tax Support Grant	<u>67.492</u>	60.895	54.339
Council Tax Support Grant		<u>10.765</u>	<u>10.765</u>
Total start-up funding new system		<u>71.660</u>	<u>65.104</u>
<u>New Government Funding system</u>			
<u>Business rates retention scheme</u>			
50% of business rates		16.645	17.156
Top up grant		<u>11.983</u>	<u>12.350</u>
		28.628	29.506
New Revenue Support Grant		<u>43.032</u>	<u>35.598</u>
		<u>71.660</u>	<u>65.104</u>

76. In 2012/13 the Council received an early intervention grant of £5.611m. The grant is not ring fenced but funds a range of services such as children's centres and preventative work. For 2013/14 the Government is transferring a significant element of this funding to the Dedicated Schools Grant (DSG) in order to fund growth in provision of free education for 2 year olds. This means that the early intervention grant for 2013/14 is £3.899m, leading to a cut in General Fund resources of some £1.7m, which will rise to £2m in 2014/15. As the work in the area of children's centres and preventative work aligns with the Council's Corporate Plan, the Council intends to continue supporting the existing service delivery in this area, but such an approach will impact on spend in other areas of the local authority.
77. Under the new arrangements the council tax support grant is paid to the Council, including the amount for Town and Parish Councils, and to the Police separately. The total grant, including the Police element totals some £11.956m compared to some £13.6m in 2012/13.
78. Within the base grant figures for 2013/14 and 2014/15 the Government have top sliced nationally provision for the transfer to academies, New Homes Bonus and safety net and a few minor other grants. The expectation was always that any surplus monies not required in the early years would be returned to local authorities by way of hand back grant.
79. The biggest of these relates to the LACSEG (academies) deduction. Local authorities remain responsible for the calculation of budgets for any academies in their local area, and are required to use the same local formula as is used for their maintained schools. The budget shares for academies are then submitted to the Education Funding Agency and deducted from the local authority's Dedicated Schools Grant (DSG) allocation.

80. When a maintained school converts to academy status during the financial year, the proportion of budget share equivalent to the period between the date of conversion and the end of the financial year is removed from the total DSG due to the authority for that year.
81. As part of the provisional Local Government Finance Settlement, the Local Authority Central Spend Equivalent Grant (LACSEG) is reduced by top slicing resources from the national spending limits. In 2013/14 this is £1,038m. For the Isle of Wight this means a reduction in Revenue Support Grant of £2.386m. Until the full resource is needed, whilst new academies come online, there is a hand back of resource through the new Education Support Grant.
82. This new grant is not likely to be announced until March 2013. The basis of the calculation has been set out and inputting the figures for the Isle of Wight would give a grant of some £1.9m.
83. There are still some resources that the Council will receive outside of the new business rate retention system. The overall grant position as it currently stands is set out below:

	2012/13 Base £m	2013/14 Provisional Settlement £m	2014/15 Provisional Settlement £m
<u>Start-up Funding excluding Council Tax Support Grant</u>	<u>67.492</u>	<u>60.895</u>	<u>54.339</u>
<u>Other Resources</u>			
New Homes Bonus	1.142	1.728	2.314
NHS Transfer	2.050	2.743	2.874
Other grants	<u>0.362</u>	<u>0.371</u>	<u>0.376</u>
	<u>3.554</u>	<u>4.842</u>	<u>5.564</u>
<u>Estimated Hand back grants</u>			
Education Support Grant		1.9	1.7
Surplus Top sliced grants			
<u>Council Tax Freeze</u>			
CT Freeze Grant 2013/14 1%		0.722	0.722
Loss of council Tax income			
- 2 % to Cap		(1.444)	(1.473)
- 0.5% on budget assumption		<u>(0.361)</u>	<u>(0.368)</u>
Net Impact on Budget		<u>(1.083)</u>	<u>(1.119)</u>

84. In overall simple terms the resources position can be summarised as:

	2013/14 £m	2014/15 £m	Total and 2013/14 and 2014/15 £m
Start- up Funding	-2.6	-6.4	-9.0
Early Intervention grant	-1.7	-0.3	-2.0
Academies	-0.4	-0.2	-0.6
Health transfer and NHB etc.	<u>+1.3</u>	<u>+0.7</u>	<u>+2.0</u>
Net Grant loss	-3.4	-6.2	-9.6
Increased Costs – adult social care, inflation	4.6	4.8	9.4
Resource Gap	8.0	11.0	19.0
Council Tax income Including freeze grant and growth in base	(1.0)	(1.5)	(2.5)
Net Budget Gap	7.0	9.5	16.5

85. The above excludes the new Public Health grant which was announced on 10 January 2013. The grant is ringfenced and for 2013/14 will be £5.922m and for 2014/15 will be £6.088m. It is anticipated that the grant will be sufficient to cover our new responsibilities under the transfer and will provide opportunities for integration and efficiencies, as the proposed savings (Appendix 6 to this report) set out.
86. The report on the 2013/14 provisional Local Government Finance Settlement and updated budget position to Cabinet on 8 January 2013 indicated that the budget monitoring position to 30 November 2012 showed an overall projected net saving of £2.6m, of which £2.4m would be required to fund the one-off severance costs associated with schools reorganisation (thus releasing an equivalent sum to go back into frontline education in schools). The latest budget monitor as set out in Appendix 2 to this report indicates a net saving of some £2.9m which after the £2.4m and the set aside of £250k for the waste contract procurement would leave an additional £250k to be added to general fund balances.
87. This net position is after allowing for the carryover of a number of provisions and earmarked reserves to cover committed spend falling into 2013/14, grant funded spend where the programme has slipped and repayment of short-term capital spend where it is financially beneficial to do so. These carryovers are not counted in the net saving position given that they remain allocated for specific purposes. The net saving only reflects the level of unspent resources that has no committed allocation which will be followed through due to existing policy commitments.
88. The Council is receiving a government grant of £48k in 2012/13 to support the community bus programme. The grant will not be continued in 2013/14. Because of the importance of the scheme it is proposed to set aside £60k from the net savings made in 2012/13 to provide for continued funding of the programme in 2013/14, with some additional resource to provide flexibility (if needed) and assist with the transition to

operating on a greater self-financing basis from 2014/15. This £60k level of allocation recognises that there are some services which have been funded through Section 106 contributions which are due to come to an end, and therefore steps may need to be taken to secure the continuation of services as longer-term community-based arrangements are developed.

SPENDING POWER

89. As part of the provisional settlement the Government also published spending power comparisons which for the Council they determine as a reduction from 2012/13 as 2.4% or £3.632m. The basis of the comparison is questionable as it does not use the actual figures for 2012/13 but a restated base. For instance a restated early intervention grant figure for 2012/13 is used, as if the transfer to schools in respect of free education for 2 year olds had happened in that year. The figure used for 2012/13 is £4.48m whereas the actual grant received in 2012/13 is £5.611m, thus understating the reduction in spending power by £1.131m. This calculation also restates the Council Tax Benefit grant figure as if the new arrangements for council tax support were in place for 2012/13. It uses a figure of £10.781m whereas the real figure for 2012/13 is £11.950m.
90. In addition to other anomalies the spending power figures take no account of inflation and increased costs for adult social care. The figures for 2013/14 include an increase in funding from Health in respect of social care of £693k but does not include the additional costs of providing services in 2013/14 of some £3.5m.
91. The true comparison shows a reduction of £10.358m or -6.5% as set out in Appendix 3 to this report.

CAPITAL PROGRAMME AND CAPITAL FINANCING COSTS

92. The proposed Capital Programme is set out in Appendix 4 to this report, together with the resultant capital financing cost projections. To fund the overall Capital Programme prudential borrowing of some £23.7m will be required over the next three financial years 2013/14 to 2015/16, although there may be scope to reduce this level of borrowing depending on the level of capital receipts received during this period.
93. The programme includes major investment in regeneration schemes, Heritage Strategy, disabled facilities grants and sustainable transport.
94. The Treasury Management Strategy includes the overall management of the Council's cash flow and borrowing strategy. Any net borrowing requirements after use of the Council's own resources continue to be met by short-term external borrowing at very low interest rates of some 0.4% compared to long-term loans at over 4%. From 2014/15 onwards it is likely that long-term external loans will be required leading to increased capital financing costs.
95. The strategy has also included repaying previous long term debt where there is a financial gain to do so and funding shorter life capital spend to reduce the annual impact on revenue. Together with managing the capital programme spend and slippage in overall terms there has been a net reduction in capital financing costs against budget. In the 2012/13 budget £1.075m was included in savings with a full year effect of £1.363m in 2013/14. It is now projected that a further £850k will be achieved in 2013/14. This is a one-off saving and will not reoccur in 2014/15.

96. The overall Treasury Management Strategy and Prudential Borrowing Indicators are set out in Appendix 5 to this report.

BUDGET OPTIONS

97. In dealing with the revised budget position regard must be had to future years and the impact of any decisions made for 2013/14 into 2014/15 and beyond when the projected revenue budget gaps are significant.
98. The Cabinet on 8 January 2013 agreed that further savings and budget reductions should be developed in order to balance the budget for 2013/14 on the basis of no council tax increase and no use of general fund balances to bridge the budget gap relating to recurring expenditure. This confirms the position previously agreed by Council as a whole as part of the Budget Review process, and Council is once again asked to confirm this approach for the year ahead.

Savings

99. Further work has been undertaken to identify additional savings to balance the 2013/14 revenue budget. In summary the projected gap of £7m is proposed to be met by savings set out below, which are detailed in Appendix 6 to this report.

	2013/14 £k
1. Recurring savings identified from a review of the outturn for 2011/12 and recurring elements of the savings currently being achieved in 2012/13	1,600
2. Savings achieved on revenue funded services now being delivered via the Highways PFI	1,000
3. One-off savings in capital financing costs	850
4. Further savings on contracts	500
5. Staffing reductions in the senior management structure and support services	1,250
6. Savings in Economy & Environment	700
7. Savings in Community Wellbeing & Social Care	600
8. Savings in Schools & Learning	<u>500</u>
	<u>7,000</u>

100. Within the proposed savings in the senior management structure it is proposed to delete the position of Chief Executive. The current post holder has previously confirmed his intention to retire during the calendar year of 2013. This impending departure provides an opportunity for the local authority to consider whether the remaining top-tier of the senior management team – three Strategic Directors – could be reconfigured to provide a Head of Paid Service and Chief Officer post from within this continuing top-tier leadership, taking into account the current distribution of Deputy Director responsibilities. Reducing the top level of senior management from four to three posts would deliver a significant saving at the highest level in the local authority, whilst still providing a top-tier of management of a proportionate size which is considered to be capable of delivering the challenging agenda and future priorities of the Council.

101. In light of all the above, it is proposed that the Chief Executive post is made redundant with effect from 31 March 2013, in order to allow a full year effect of such a significant saving to be achieved. Subject to a report to be considered by a meeting of the Employment Committee on 4 March 2013, it is proposed to create a new Chief Officer position to fulfil the statutory Head of Paid Service role, which would include a significant service area responsibility as part of this new role. This new position would be ringfenced for applications from the existing Strategic Directors and would incorporate their respective service area on appointment. The successful candidate would not be replaced in their Strategic Director position, although Deputy Director responsibilities would also be reviewed as part of these changes.
102. The deletion of the Chief Executive post, along with related officer support costs, is expected to secure a total of £210k of on-going savings – recognising that there is likely to be some offset in additional costs associated with the expanded role of one of the Strategic Directors, as set out above. On being made redundant, the Chief Executive would be treated the same as other staff members and receive the statutory minimum redundancy payment. This one-off cost would be offset against the significant saving that would be achieved by the deletion and non-replacement of this post.
103. As part of the decision recommended in this paper, Council will be asked to agree to the deletion of the Chief Executive post on the terms set out above and to appoint the Strategic Director of Resources as Acting Head of Paid Service & Chief Officer with effect from 1 April 2013 until such time as new senior management arrangements are agreed for implementation through decisions made by Annual Council on 15 May 2013. Because the Chief Officer of the Council cannot also be the Section 151 (Financial) Officer, Council will be asked to agree that the Head of Financial Management is appointed as Section 151 Officer for the same period, after which time the role will revert to the Strategic Director of Resources.
104. It is also necessary to appoint a responsible officer for other duties that currently sit with the Chief Executive. In relation to the forthcoming Local Elections (for the Isle of Wight Council and 33 town and parish councils) it is proposed that the role of Returning Officer and Electoral Registration Officer for the Isle of Wight is undertaken by the Deputy Director of Resources (Corporate Governance) & Monitoring Officer.

Reserves and General Fund balances

105. The overall position on reserves and General Fund Balances is set out in Appendix 7 to this report and the overall risk assessment is set out in Appendix 8. This demonstrates that the reserves and balances remain at a strong and healthy level. Against this, however are the potential risks where the Council may face unbudgeted costs. It is estimated that as of 31 March 2013, General Fund Balances will be at £9m. Once spent they are gone, and they cannot be a permanent source for funding or committed to on-going spend.
106. Any use in 2013/14 adds to the gap that would need to be bridged in 2014/15. If, however, savings plans are developed for phased implementation during 2013/14 which will have a full year effect in 2014/15 then balances could be used to meet the one-off / transitional shortfall in 2013/14.
107. Bearing in mind the significant revenue budget gap in 2014/15 and the greater financial risk to the council on local council tax support and drop in business rates base then such

a decision should not be taken lightly, unless savings plans clearly lead to the delivery of full year savings in 2014/15.

Council Tax

108. The report to Cabinet on 8 January 2013 included the overall position on a council tax freeze. The maximum level of increase without triggering a referendum is 2%. The council tax freeze grant if accepted is equal to 1% and is paid for two years. If it is not accepted and a 2% increase were made it would only generate additional income of £722k above that if the grant is accepted and cost taxpayers £1.444m.

CONSULTATION

109. The overall approach to Budget Consultation was reviewed by the Overview and Scrutiny Committee at its meeting on 17 May 2012. They considered the overall process and resolved that the proposal to bring forward the timing of the public consultation to June / July 2012 to enable public comments and views, on a wider basis, to be fed into the initial round of budget discussion be supported and:
- a. the existing method of consultation for qualitative feedback, with the same consultative groups and the separate group for the business community be continued, with a separate session for council staff .In addition a consultation group of ward councillors, chaired by members of the Overview and Scrutiny Committee be held to ensure that the feedback gathered from their local communities is fed back;
 - b. the budget simulator is utilised earlier in the year and promoted widely with the content at a broader level to enable maximum input and that this mirrors the content explored with focus groups;
 - c. the feedback gathered from the qualitative and quantitative exercises be fed into the budget review report to Cabinet and Full Council in September 2012 and is also published in the September 2012 issue of One Island so that final feedback from the public can be sought by October to feed into the final budget decisions;
 - d. the focus of the budget consultation be on the community's spending priorities and that this involve a possible rise in council tax against a possible reduction in investment together with the option for maintaining or increasing other charges should more income be required to invest in priority areas;
 - e. officers discussed with the Isle of Wight Association of Local Councils (IWALC) possible arrangements for cluster meetings of town and parish councils to discuss the 2013/14 budget.
110. Workshops were undertaken in July 2012 and the budget simulator ran from 6 July to 6 August. A summary of the results of the consultations was included in the Budget Review report to Council on 19 September 2012.
111. It was considered that the consultation process had demonstrated support for the overall approach to the Budget Strategy and the continued focus on the agreed corporate priorities. The consultation process also helpfully offered views on how funding for one-off initiatives should be invested, and this had informed the recommendations on allocation of one-off funding. It was also agreed, following this consultation, that a

number of other potential areas for one-off investment be deferred until the overall likely budget position for 2013/14 was clearer, following the publication of the Local Government Finance Settlement.

112. A separate consultation exercise was undertaken on a Local Council Tax Support Scheme and the final scheme for implementation was agreed by Council on 16 January 2013.
113. The Overview and Scrutiny Committee play a key role in considering and scrutinising the budget. They have considered the budget monitoring reports during the financial year and at their meeting on 3 January 2013 considered the 8 January 2013 Cabinet report on the 2013/14 financial settlement and updated budget position.
114. This report is due to be considered at the Scrutiny Panels and the Overview and Scrutiny Committee between 4 and 7 February 2013 and any comments and recommendations they made will be circulated prior to the Cabinet meeting on 12 February 2013.

FINANCIAL / BUDGET IMPLICATIONS

115. This report is entirely about the overall financial and budgetary position of the Council and updates the financial and budget issues that the Council is now facing following the 2012/13 budget monitoring position to 31 December 2012, the progress with the 2013/14 budget strategy and the provisional Local Government Finance Settlement (LGFS) announced on 19 December 2012. The final LGFS is still to be announced but it is not expected to change much from the provisional settlement.
116. The overall reserves and General Fund Balances position is healthy and the budget monitoring position in 2012/13 indicates that by 31 March 2013 this position will be maintained.
117. The overall updated financial and budget position now shows a projected budget gap (the difference between projected income and projected expenditure if no decisions to change are made) of £7m in 2013/14. The report proposes savings to meet this gap.
118. The position in 2014/15 is now projecting an additional budget gap of £9.5m which is a significant funding shortfall. Action needs to be taken over the next few months to develop strategies as to how this can be bridged. It needs to be recognised, however, that the Council will need to stop, curtail or radically change what it delivers and how it is delivered if the budget gap is to be addressed adequately.
119. Bearing in mind potential consultation on major changes to services and the lead-in time to implement savings of the scale required it is recommended that officers work up initial options for dealing with the significant budget gaps projected for 2014/15 and that these are included in a Budget Review report to Cabinet in July 2013, followed by a further report to Council in September 2013.

LEGAL IMPLICATIONS

120. The Council will need to set a lawful and balanced budget and Council Tax level for 2013/14. In developing any proposals the necessary equality impact assessments and consultation processes will need to be followed. The outcomes of any consultation will be considered and where appropriate be used to inform a detailed equality impact

assessment. Any impacts and possible mitigation will be considered as part of the decision making process.

121. In deciding on the savings proposed that can be delivered in 2013/14 regard needs to be had of the timescales involved in undertaking any necessary statutory processes and consultation.

PROPERTY IMPLICATIONS

122. There are no specific property implications of this report but the ability to support the capital programme is dependant in part on the ability to dispose of surplus assets and generate capital receipts. The delivery of the strategic asset management strategy is also essential in driving the Council's on-going revenue costs down.

EQUALITY AND DIVERSITY

123. The Council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion / belief and marriage / civil partnership).
124. An Equality Impact Assessment has been completed on the overall budget strategy and is set out in Appendix 9 to this report. This needs to be considered in reaching a decision on the Budget.

SECTION 17 CRIME AND DISORDER ACT 1998

125. Section 17 of the Crime And Disorder Act 1998 (as amended by Police and Justice Act 2006) provides that: it shall be the duty of each authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all it reasonably can to prevent, crime, disorder, anti-social behaviour adversely affecting the environment, and substance misuse in its area.
126. As part of the development of any budget proposals the implications and impacts will be assessed in accordance with Section 17 requirements.

CARBON EMISSIONS

127. The proposed Medium-Term Financial Strategy, ICT Strategy, Strategic Asset Management Plan Capital Programme, and efficiency savings proposals take into account the need to reduce carbon emissions and support the Council's Carbon Management Plan. The Council has already achieved a reduction in carbon emissions of 22% over the last two years (average 11% per annum) against an annual reduction target of 6%.
128. The Solent Ocean Energy Centre (SOEC) project will contribute to a reduction in the Island's carbon footprint, including that of the Council. In addition to this SOEC will help reduce energy costs. The granting of planning permissions for solar farms will also contribute to a reduction in the Island's carbon footprint. The re-let of the waste contract will focus on waste as a resource and encourage innovation in the use of waste to create

energy. The Highways PFI project requires the contractor to reduce both carbon and water footprints and this will be enshrined in the contract.

129. The Council is also required to participate in the CRC Energy Efficiency Scheme which incurs a charge for every tonne of carbon dioxide (CO₂) emissions (currently £12 / tonne) and will be seeking to reduce emissions to reduce costs.

RISK MANAGEMENT

130. The key budget risks to the Council relate to additional reductions in grants from Government; budget pressures being even higher than anticipated; savings and efficiencies not being delivered; proposed income levels not being achieved; inflation being higher than expected. These risks are contained in the strategic risk register. The risk assessment set out in Appendix 7 to this report compares the potential financial risks to the reserves available to meet them.
131. General Fund balances of at least £5m should be maintained on top of earmarked reserves. Savings implementation plans will be adopted and rigorously monitored. Monthly Service Boards and the member-led Budget Review Board undertake detailed monitoring and review of savings and budget monitoring. Quarterly performance and finance reports are presented to Cabinet and the Overview and Scrutiny Committee, and Budget Review reports are received by Council in September and Cabinet in December / January each year.
132. It is important that the Council takes a medium-term approach to its budget setting. There are still considerable uncertainties over the level of resources the Council will receive in 2014/15 and a significant level of grant reductions still to be suffered in subsequent years. The adoption of a prudent approach and a strategy to contain and reduce on-going spend commitments is essential if significant unplanned cuts in services are to be avoided.

EVALUATION

133. The Council must agree a lawfully balanced budget for 2013/14 by 11 March 2013 at the latest. It also needs to take account of the projected resources position and resultant revenue budget gaps for 2014/15 and future years.
134. In considering the budget options Council will need to strike a balance between: the need to invest in capital infrastructure to improve services; direct revenue resources to the eight priorities; the level of council tax; the levels of fees and charges; and the level of savings and service reductions and use of any available balances. It also needs to take into account the medium-term financial position the Council faces.
135. The impact of the options on service users, council tax payers, statutory duties and the Equality Impact Assessment also needs to be considered in coming to a decision.
136. The options related to bridging the remaining revenue budget gap are essentially varying the level of council tax increase; use of general fund balances in 2013/14 and the level of further savings that can be implemented.

137. Bearing in mind the effective capping limit of 2% and the availability of a council tax freeze grant of £722k and the impact on council tax payers in a time of recession a council tax increase is not recommended.
138. Although general fund balances are healthy and above the minimum level required it is not felt prudent to use these to meet recurring spend. This is particularly important because of the very significant reduction on government grant still to be suffered in 2014/15 and beyond.
139. The savings proposed for 2013/14 are focussed on spending reductions that are already in train (or have been achieved), on back office costs and streamlining management. These can be delivered without directly impacting on service delivery.

140. RECOMMENDATION

THAT CABINET :

- (a) Considers the Equality Impact Assessments set out in Appendix 2 to this report and the results of the budget consultation exercises set out in Appendix 3 to this report and whether the budget proposals are consistent with these and that any potential adverse impacts are understood and that appropriate mitigating actions are proposed to be taken. Recommends to Council that it also considers all of these when making its decisions.
- (b) Considers the overall financial and budget position facing the Council in 2013/14 and future years and recommends to Council on 27 February 2013 an overall budget and Council Tax strategy and in particular:
 - (i) The updated Medium-Term Financial Strategy as set out in Appendix 1 to this report;
 - (ii) The overall Capital Programme as set out in Appendix 7A to this report;
 - (iii) The Treasury Management Strategy, Investment Strategy, Borrowing Strategy, Minimum Revenue Provision and Prudential Indicators as set out in Appendix 7B to this report;
 - (iv) Acceptance of the Council Tax Freeze Grant and consequent setting of the Isle of Wight Council element of council tax for 2013/14 at the same level as for 2010/11, 2011/12 and 2012/13;
 - (v) The schedule of savings set out in Appendix 6 to this report;
 - (vi) The allocation of £100k from the net savings in 2012/13 as a reserve to support the implementation of the post-Ofsted Improvement Plan for Children's Safeguarding;
 - (vii) Confirms that General Fund balances should not be used for any element of recurring expenditure in 2013/14 due to the future financial challenges the Council faces;
 - (viii) Agrees to the deletion of the post of Chief Executive with effect from 31 March 2013 and the appointment of the Strategic Director of Resources as Acting Head of Paid Service & Chief Officer with effect from 1 April 2013 until such time as new senior management arrangements are agreed for implementation through decisions made by Annual Council on 15 May 2013;

- (ix) Agrees that the Head of Financial Management is appointed as Section 151 Officer for the period referred to in (viii) above, after which time it will revert to the Strategic Director of Resources;
 - (x) Agrees that the Deputy Director of Resources (Corporate Governance) & Monitoring Officer is appointed to act as Returning Officer for the Local Elections in May 2013 and is authorised to agree fees and charges for election staff (as recommended by the Joint Working Party of Chief Executives and District Secretaries throughout Hampshire and the Isle of Wight) and to fulfil the role of Electoral Registration Officer for the Isle of Wight (for the period referred to in (viii) above) and is permitted to appoint Deputies to act on all matters relating to Electoral Registration as considered appropriate.
 - (xi) That officers work up initial options for dealing with the significant budget gaps projected for 2014/15 and that these are included in a Budget Review report to Cabinet in July 2013, followed by a further report to Council in September 2013.
- (c) Recommends to Council, in the event that all precepts are not notified by the time of the Council meeting on 27 February 2013 that they agree to set up a Council Tax Setting Committee with the delegated authority to consider and approve the overall budget requirement and level of Council Tax for 2013/14 being that element agreed by Council for the Isle of Wight Council for 2013/14 plus the notified police precept plus the notified Parish and Town Council precepts.

141. APPENDICES ATTACHED

APPENDIX 1	Medium –Term Financial Strategy
APPENDIX 2	Revenue Budget Monitor to 31 December 12
APPENDIX 2A	Capital Monitor
APPENDIX 3	Spending Power
APPENDIX 4	Capital Programme
APPENDIX 5	Treasury Management Strategy
APPENDIX 6	2013/14 Savings Proposals
APPENDIX 7	Summary of reserves and general fund balances
APPENDIX 8	Budget Risk Assessment
APPENDIX 9	Budget Strategy Equality Impact Assessment

142. BACKGROUND PAPERS

None that are not already published.

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